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SUBJECT: BILDT IN INDIA: REBUILDING TRADE TIES AND MORE
THAN A HINT OF SUPPORT IN NSG FOR NUCLEAR DEAL

Classified By: Charge d'Affaires Geoffrey Pyatt for Reasons 1.4 (B, D)

¶1. (C) Summary. In his May 2-4 visit to India, Swedish Foreign Minister Bildt, accompanied by an impressive business delegation, brought a message that Sweden will aggressively pursue its share of India's bulging consumer market. Also aiming for a stake in the lucrative Indian defense market, Bildt declared the 1986 Bofors scandal a thing of the past and urged the two countries to move ahead in their trade relationship. In a private conversation with the Charge, Bildt signaled that Sweden will not stand in the way of India getting NSG approval for nuclear cooperation. End Summary.

Aggressively Pursuing Indian Market

¶2. (U) Swedish Foreign Minister Carl Bildt visited India May 2-4, accompanied by a business delegation made up primarily from representatives in the IT, bio-technology and telecom sectors, and including high-profile Swedish companies such as Volvo, Ericsson and Electrolux. Bildt and his delegation, also accompanied by the head of Sweden's civil aviation authority, first traveled to Bangalore for talks with aerospace and IT industries, then continued on to New Delhi for talks with Indian government officials, including Prime Minister Singh, External Affairs Minister Mukherjee, and Defense Minister Antony. According to MEA, this was the first visit to India by a Swedish foreign minister since 1993, although PM Persson came here in May 2004. Media reports of the visit highlighted Bildt's comments that Sweden's trade with India is growing, and Stockholm is looking to increase its marketing and manufacturing activities. In particular, Bildt said Sweden would be aggressively pursuing India's bulging defense market -- estimated at \$15 billion over the next 10 years -- to include Gripen's bid for 126 multi-role combat aircraft (MRCA) which the Indian Air Force is seeking, and an Indian army tender for the sale of 400 upgraded 155 mm .52 calibre guns. Trying to erase lingering controversy over the 1986 Bofors scandal, in which the Swedish company allegedly paid kickbacks on a \$700 million defense deal, a scandal which brought down the BJP government at the time, Bildt conspicuously announced that "the ghost has disappeared" from that affair, and urged

that India and Sweden move ahead in their trade relationship.

(Note: A briefing by the MEA spokesperson on the visit can be found at meaindia.nic.in. End Note.)

Support in NSG for Civ-Nuke Deal

¶3. (C) Bildt also discussed the U.S.-India civil-nuclear cooperation agreement. He was cautious in his public statements -- he was quoted by Times of India columnist Indrani Bagchi as saying "We are concerned about proliferation. But we have a deeper understanding of India's need for civil nuclear energy. That's important for energy security and from climate change point of view." However, privately, Bildt was more straightforward. In a conversation with the Charge on the margins of a reception prior to Bildt's meeting with PM Singh, Bildt indicated he had been in touch with Washington on the nuclear deal, adding he sees Nuclear Supplier's Group approval for India's exception as a foregone conclusion. Charge explained some of the difficulties the U.S. is having vis-a-vis finalizing a 123 Agreement and with India's nuclear establishment; Bildt reiterated his sense that Sweden, notwithstanding historic policies, would not wish to be perceived as an obstacle in this effort.

Antony to Visit Stockholm

¶4. (C) Ministry of Defense Acting Joint Secretary (International Cooperation) Kiran Chadha told Charge that DefMin Antony promised Bildt he would visit Stockholm in the

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near future. Chadha, one of the key people in India's defense procurement chain, assessed Bildt's visit as a strong signal that Gripen/Sweden intend to aggressively compete for the (roughly \$6-10 billion) MRCA deal.
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